

Message Text

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47

ACTION L-03

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 3804

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EO 11652: N/A

TAGS: EINV, CPRS, PO

SUBJ: U.S. PROPERTY INTERESTS IN PORTUGAL

REF: (A) STATE 193465; (B) LISBON 4192; (C) LUANDA 1154;

(D) LUANDA 1155; (E) LUANDA 1157; (F) LUANDA 1162

1. GENERAL SITUATION IN PORTUGAL WITH REGARD TO SECTION 502 (B) (4)
OF GSP LEGISLATION STILL AS DESCRIBED IN REF B.

2. IN ADDITION TO CHANGES IN PROPOSED TEXT SUGGESTED IN PARA 3
BELOW, ONE MAJOR NEW CASE HAS ARISEN. IN ANGOLA, MPLA MINISTERS
OF THE TRANSITIONAL GOVERNMENT ASSUMED CONTROL OF ALL COMMERCIAL
BANKS AND SUSPENDED THEIR BOARDS OF DIRECTORS ON AUGUST 14. ONE
OF THESE BANKS IS BANCO INTER UNIDO WHICH IS 50 PERCENT OWNED BY
FIRST NATIONAL CITY BANK.

3. EMBASSY SUGGESTS TEXT (REF A) BE CHANGED TO READ AS FOLLOWS:
THE CASES IN PORTUGAL WHICH HAVE COME TO OUR ATTENTION ARE
TORRINGTON INDUSTRIES, GM, OTIS ELEVATOR, FIRESTONE, BLUE BELL,
AND MUELLER MONTAGEM. ALL INVOLVED OR INVOLVE SEVERE LABOR
DIFFICULTIES AND IMPAIRMENT OR LOSS OF MANAGEMENT CONTROL OVER
THE PROPERTY AS A RESULT OF WORKER TAKEOVERS, LOCKOUTS AND
OTHER LABOR ACTION. THE TORRINGTON CASE ALSO INVOLVED PORTU-
GUESE GOVERNMENT FREEZING OF A COMPANY BANK ACCOUNT AND PAYMENT
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OF \$76,000 FROM THAT ACCOUNT TO WORKERS FOR DISPUTED WAGES. THE

TORRINGTON CASE HAS RECENTLY BEEN SETTLED FOLLOWING FAVORABLE COURT ACTION, U.S. DIPLOMATIC INTERVENTION, AND PORTUGUESE LABOR MINISTRY EFFORTS TO RESOLVE THE DISPUTE TO LABOR'S AND MANAGEMENT'S SATISFACTION. SETTLEMENT INCLUDED RESTORATION TO THE COMPANY OF CONTROL OF ITS BANK ACCOUNT AND THE \$76,000. THE GM AND FIRESTONE CASES INVOLVED BRIEF LOCK-INS OF A MANAGER. IN THESE CASES, AS WELL AS SEVERAL OTHERS, THE LABOR SITUATIONREMAINS VERY DIFFICULT. IN THE CASES OF MUELLER MONTAGEM AND OTIS ELEVATOR IT DOES NOT APPEAR THE FIRMS HAVE PURSUED ALL AVAILABLE LEGAL RECOURSE. NEGOTIATIONS REPORTEDLY CONTINUE IN THE BLUE BELL CASE. IN NONE OF THE OUTSTANDING CASES DOES THERE APPEAR TO BE ANY OFFICIAL, LEGISLATIVE ACTION BY THE PORTUGUESE GOVERNMENT ADVERSE TO THE U.S. COMPANY'S PROPERTY INTERESTS, ALTHOUGH THE GOP HAS TAKEN SEVERAL ACTIONS WHICH IMPLICITLY GRANT DE FACTO RECOGNITION TO WORKERS COMMISSIONS, SUCH AS THE ONE WHICH SEIZED CONTROL OF MUELLER MONTAGEM. UNLESS THERE SHOULD DEVELOP CLEARER INDICATIONS THAT THE GOP IS IMPOSING UPON THE FIRMS SETTLEMENTS WHICH EFFECTIVELY DEPRIVE MANAGEMENT OF CONTROL OF ITS PROPERTY,HA FINDING THAT THESE CASES FALL UNDER THE TERMS OF SECTION 502 (B) OF THE TRADE ACT WOULD NOT BE JUSTIFIED. (NOTE: EMBASSY SUGGESTS DELETION OF LAST TWO SENTENCES OF PROPOSED TEXT.)

4. COMMENT ON BLUE BELL CASE: ALL REPRESENTATIVES OF BLUE BELL U.S. AND BLUE BELL EUROPE LEFT PORTUGAL SHORTLY AFTER MARCH 11 BECAUSE OF FEAR OF LABOR DIFFICULTIES WHICH MIGHT LEAD TO THEIR PHYSICAL DANGER. THE U.S. CITIZEN MANAGER OF BLUE BELL HAD BEEN LOCKED IN HIS PLANT THREE TIMES DURING THE PREVIOUS NINE MONTHS. EMBASSY UNDERSTANDS THAT THE PLANT CONTINUED TO OPERATE FOR SOME MONTHS AFTER MARCH 11 UNDER THE CONTROL OF THE WORKERS. NEGOTIATIONS BETWEEN BLUE BELL U.S./EUROPE AND REPRESENTATIVES OF THE WORKERS REPORTEDLY ARE IN PROGRESS.
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